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Name.....

Reg. No.....

2304

**FOURTH SEMESTER M.A. DEGREE [REGULAR/SUPPLEMENTARY]  
EXAMINATION, APRIL 2022**

(CBCSS)

Economics

ECO 4C 13—FINANCIAL MARKETS

(2019 Admission onwards)

Maximum : 30 Weightage

: Three Hours

**General Instructions**

1. In cases where choices are provided, students can attend **all** questions in each section.
2. The minimum number of questions to be attended from the Section / Part shall remain the same.
3. The instruction if any, to attend a minimum number of questions from each sub section / sub part / sub division may be ignored.
4. There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.

**Part A (Multiple Choice Questions)***Answer all question.**Each question carries 1/5 weightage.*

1. Which among the following act as reliable mediation between banks and the Indian MSMEs to grow and get access to credit through independent and unbiased credit opinion ?  
 a) CRISIL.  
 b) ICRA.  
 c) CARE.  
 d) SMERA.
2. For the first time, the Securities are sold in the :  
 a) Money Market.  
 b) Primary Market.  
 c) Capital Market.  
 d) Secondary Market.
3. The Equity instruments created by Overseas Depository Banks (ODBs) is called :  
 a) ADR.  
 b) GDR.  
 c) Both ADR and GDR.  
 d) Neither ADR nor GDR.

**Turn over**

4. Risk occurs at a situation wherein a failure on the part of the borrower or debtor to pay specified amount of interest or principal at the specified time in the debt contract is:
- Default risk.
  - Financial risk.
  - Liquidity risk.
  - Systematic or market risk.
5. The Asset that serves as security for a loan, is called :
- Collateral.
  - Mortgage.
  - Security.
  - Deed.
6. The currency-notes issue system in India is based on :
- Proportional Reserve System.
  - Minimum Reserve System.
  - Fixed Exchange Rate System.
  - Fully Convertibility System.
7. New securities are issued or floated through :
- Issue prospects to public.
  - Private placement.
  - Right issue to existing shareholders.
  - All the above.
8. The procedure in which, admitting securities for trading on a recognized stock exchange as :
- Underwriting.
  - Listing.
  - Arbitrage.
  - Placement.
9. The risk wherein it may not be possible to dispose off or sell the assets, or it may be so only at great inconvenience or cost in terms of money and time :
- Default risk.
  - Financial risk.
  - Liquidity risk.
  - Systematic or market risk.
10. The funds borrowed that are repayable upon the request of either party :
- Commercial bill.
  - Bill of exchange.
  - Call money.
  - None of these.
11. Maintaining the required margin for a currency future with the clearing house agreement, should be the responsibility of the :
- The buyer.
  - The seller.
  - Both the buyer and the seller.
  - Either the buyer or the seller.

2. Arbitrage is :

- a) Referring to a third party for settling an unsettled dispute.
- b) Difference between Spot and Forward Rate.
- c) Making profit due to disparities in price in markets.
- d) Quoting a rate for both buying and selling.

13. Usually the Commercial Papers are issued by.

- a) Government.
- b) Commercial Banks.
- c) Corporate Companies.
- d) All the above.

14. When did SEBI started its operations ?

- a) April 12, 1992.
- b) April 12, 1988.
- c) May 25, 1990.
- d) May 25, 1988.

15. Characteristic of Treasury Bill Market :

- a) High liquidity.
- b) Low transaction cost.
- c) Readily available.
- d) All the above.

(15 × 1/5 = 3 weightage)

### Part B (Very Short Answer Questions)

Answer any five questions.  
Each question carries 1 weightage.

- 16. Briefly describe London Money Market.
- 17. Write a note on Bill of Exchange.
- 18. What is meant by Demutualization of stock exchanges ?
- 19. Write a note on inclusive financial system ?
- 20. Bring out modern financial instruments.
- 21. Define stock exchange. Write a note on Bombay Stock Exchange.
- 22. State the significance of mutual funds ?
- 23. What do you mean by Participatory notes (P-notes) ?

(5 × 1 = 5 weightage)

Turn over



**Part C (Short Answer Questions)**

*Answer any seven questions.*

*Each question carries 2 weightage.*

24. Describe the features of developed financial system ?
25. Write briefly on Euro notes, Euro commercial papers, Eurodollars and Eurocurrency.
26. Explain the merits and demerits of banking sector innovations.
27. Explain the Trading mechanism in the Indian stock exchanges.
28. What is GFM ? What are the Instruments in GFM ?
29. Describe the economic significance of mutual funds.
30. Define Options. Mention the types of Options and their uses.
31. Explain Foreign Currency Convertible Bonds (FCCB).
32. Describe the significance of International bonds.
33. Explain the significance of Treasury Bill market.

$(7 \times 2 = 14 \text{ weightage})$

**Part D (Essay Questions)**

*Answer any two questions.*

*Each question carries 4 weightage.*

34. Describe major Money market reforms in India since 1991.
35. Define Eurocurrency market: Bring out the reasons for their growth and effects.
36. Critically evaluate the sources and issues of External borrowings of India ?
37. Critically evaluate the structure and composition of Indian financial system.

$(2 \times 4 = 8 \text{ weightage})$